BUSINESS MEETING

BEFORE THE

CALIFORNIA ENERGY RESOURCES CONSERVATION

AND DEVELOPMENT COMMISSION

In the Matter of:	)
	)
Business Meeting	)
	)
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CALIFORNIA ENERGY COMMISSION

HEARING ROOM A

1516 NINTH STREET

SACRAMENTO, CALIFORNIA

WEDNESDAY, APRIL 26, 2006

10:05 A.M.

Reported by:
Peter Petty
Contract No. 150-04-001

COMMISSIONERS PRESENT

Joseph Desmond, Chairperson

Arthur Rosenfeld

James D. Boyd

John L. Geesman

STAFF PRESENT

B.B. Blevins, Executive Director

William Chamberlain, Chief Counsel

Melinda Dorin

Elaine Hebert

Norman Bourassa

Ricardo Amon

Ram Verma

Heather Raitt

Gabriel Herrera

Gary Flamm

Michael Martin

Mark Rawson

PUBLIC ADVISER

Margret Kim

ALSO PRESENT

Gregory Tropsa
ICE Energy

Mark Skowronski
Solargenix

ALSO PRESENT

Joseph Rokowski
Rohn & Haaf
(via teleconference)

Les Guliasi
Pacific Gas and Electric Company

Manuel Alvarez
Southern California Edison Company

Steven Kelly
Independent Energy Producers Association

Pete Palm
Western Pacific Distribution

Gary Fernstrom
Pacific Gas and Electric Company

Steve J. Provol
Competitive Energy Insight, Inc.

I N D E X

P R O C E E D I N G S

10:05 a.m.

CHAIRPERSON DESMOND: Good morning. I'd like to welcome everyone here today to this business meeting. Would you please rise and join me in reciting the Pledge of Allegiance.

(Whereupon the Pledge of Allegiance was recited in unison.)

CHAIRPERSON DESMOND: Just as a reminder, if anyone wishes to address the Commission on various items be sure and notify us, blue cards here at the front.

First item on the agenda is the consent calendar.

COMMISSIONER ROSENFELD: I move the consent calendar.

COMMISSIONER GEESMAN: Second.

CHAIRPERSON DESMOND: All those in favor?

(Ayes.)

CHAIRPERSON DESMOND: Opposed? So moved.

Agenda item number 2, the Clean Energy States Alliance. Possible approval of contract 500-05-036 for $25,000 with Clean Energy States

Alliance to establish a national collaborative to develop national guidelines that address the risk to birds from the siting and operation of wind energy facilities. Ms. Dorin.

MS. DORIN: Good morning, Commissioners. This proposal is to help fund a national collaborative with the Clean Energy States Alliance and other stakeholders, including the National Audubon Society, the U.S. Fish and Wildlife Service and the American Wind Energy Association. And that also includes the member states, including us, which is California.

And the amount is for $25,000 from the Energy Resources Program Account, which is the ERPA Fund. And this national effort is focused on developing a framework document that the states can then implement. And the goal is to allow for wind development while reducing avian impacts.

This process will be a parallel process to the state guidelines development that the Energy Commission is undertaking. And in order for California to have direct input into the national framework, make sure it's consistent with the state guidelines, it's important for us to be involved in that process.

CHAIRPERSON DESMOND: Thank you.

COMMISSIONER GEESMAN: Mr. Chairman.

CHAIRPERSON DESMOND: Commissioner Geesman.

COMMISSIONER GEESMAN: I'll move the item and note that we will be bringing an OII to one of the Commission's May business meetings to launch the state guideline setting process.

CHAIRPERSON DESMOND: Excellent, thank you. Further questions? Comments?

COMMISSIONER BOYD: I'll second.

CHAIRPERSON DESMOND: All those in favor?

(Ayes.)

CHAIRPERSON DESMOND: Opposed? So moved. Thank you.

Agenda item number 3, Moss Landing Marine Laboratory. I would note that this is PIER funded, not ERPA funded. That's a correction in the agenda.

And this is possible approval of five proposals totaling $634,932 for the Moss Landing Marine Laboratory under the existing San Jose State University Foundation contract to study the effects of once-through cooling technology. Ms.

Dorin.

MS. DORIN: Good morning, Commissioners.

CHAIRPERSON DESMOND: Good morning. Nice to see you again.

(Laughter.)

MS. DORIN: So, as you noted, this is actually an existing contract with Moss Landing. It was funded and the contract was signed with the California Energy Commission in May 2005 for $1.5 million. And so this is for research under that contract.

So, in November of 2005, an RFP was released. And the RFP sought proposals to address the impact of once-through cooling on aquatic species. And it was pretty broad. We're looking at population communities, technology development, anything to resolve the significant ecological effects of impingement, entrainment, thermal. We gave a lot of, a broad scope for the RFP.

We did receive 12 proposals. And the Technical Advisory Committee met; scored the proposals. And staff has five proposals that they would like to take forward for approval.

And the members of the Technical Advisory Committee were made up of industry, of

consultants that do a lot of the monitoring for the power plant operators, NMFS, Regional Board, the State Board Ocean Protection Council Staff. So federal agencies, state agencies got a chance to look at the proposals.

And so just a brief summary of all of the proposals in no particular order. The first one is, the PI is Daniel Pondella, and they have a long-term data set from Redondo Beach, California. And that's near three power plants including Redondo Beach, Scattergood and El Segundo.

And they have a data set from 1974 to 2006, so they can look at ecological changes and address some of the questions about how often to sample. So they'll do a temporal look at the data to see el ni¤o events and things like that. And that's really important for a sampling that the operators have to do under their regulatory requirements.

The second one, Jon Largier; and he is with UC Davis. And he will be doing both the modeling exercise and looking on the ground at the intake withdrawal zone. So modeling the bays, and he will be doing this at Huntington Beach and Morro Bay, as two sample cases. But he'll also be

setting up a protocol that can be used at other sites. This information also feeds into the models used currently.

The third one, Joseph Cech. He's with UC Davis, and he will be looking at screen technology and whether there's something that can be done to the screens to make the fish see them at an earlier time so they can avoid the intake. And that will be in the lab. And he will be looking at (inaudible) smelt, as well as some coastal smelt.

And then the fourth one, by Jonathan Geller; he's with Moss Landing. And he will be looking, setting up a protocol looking up of methods to do DNA extraction. So one of the constraints right now in the sampling is that they can only ID a certain amount of the species. So where they can't ID morphologically they'll have a tool to look at more of the species.

And then the last one, Charles Mitchell. he is looking at the life history of three species that are commonly caught in southern California. And those species are queenfish, white croaker and spot-fit croaker. And these species feed into the models once again if they don't have life history.

This will allow the models to be more accurate when they're used.

And the amounts of the studies, the Pondella is requesting $53,000; Jon Largier is requesting $197,000; Joseph Cech was requesting $152,000; and I've rounded on these; Jonathan Geller has requested $137,000; and Charles Mitchell has requested 93. And then there's also $117,000 in matched funds that they've received.

CHAIRPERSON DESMOND: Great, thank you.

MS. DORIN: You're welcome.

CHAIRPERSON DESMOND: Commissioner Geesman.

COMMISSIONER GEESMAN: I'll move the item.

COMMISSIONER ROSENFELD: Second.

CHAIRPERSON DESMOND: All those in favor?

(Ayes.)

CHAIRPERSON DESMOND: Opposed? So moved. Thank you.

Before we begin the next agenda item I just have a question. I have a card from a Mr. Spillett, but no agenda item identified on that. If somebody would just please let me know. Peter

Spillett. Not here? Okay.

Agenda item number 4. Cool Roof Coatings Performance Requirements. Possible adoption of proposed 15-day language amendments to the 2005 building energy efficiency standards of the California Code of Regulations, Title 24, part 6, section 118(i)3.

This is regarding performance requirements of liquid roof coatings applied in the field on nonresidential low-sloped roofs. Ms. Hebert.

MS. HEBERT: Good morning, Commissioners, colleagues. My name is Elaine Hebert or Hebert, whichever mood you're in. And I'm with the building and appliances office in the efficiency renewables and demand analysis division.

This item has been a long haul. On April 13, 2005, the Energy Commission accepted a petition to initiate a rulemaking to consider changes to this one small section of the 2005 building standards.

There are two basic issues. First is what are acceptable tests for testing the physical performance of liquid applied roof coatings at

cold temperatures in order to show some kind of durability in cold climates. As it turns out, there are standards for such testing developed by the American Society for Testing and Materials, or ASTM.

The second issue is the thickness that these coatings dry to, given in units of mils, to insure some level of durability over a variety of substrates.

To address the first issue, we are proposing to add an extra optional ASTM test for flexibility, adding it to the existing list of tests for tensile strength and elongation at low temperatures.

To address the second issue we are proposing to remove the specified minimum dry mil thickness of 20 mils, and instead allow the manufacturers' recommendation for thickness or coverage, taking the particular substrate into consideration.

We are also adding the appropriate ASTM standards to two sections of the building standards that lists referenced documents. And lastly, we are proposing some clarifying language to section 118(i)3 such as adding the phrase, "for

low-sloped roofs" where appropriate, to remove any ambiguity.

We have made these proposals with substantial input from industry over the last year. We thank industry members and other stakeholders for working with us, and we look forward to working with them to further refine our roof coating standards for 2008 and the future.

CHAIRPERSON DESMOND: Great. Thanks, Ms. Hebert. I would note we did have one speaker on the phone who would like to address the Commission. But first, let me ask the Commissioners if they have any questions or comments.

On the phone right now is Mr. Joseph Rokowski of Rohn & Haaf. Mr. Rokowski?

MR. ROKOWSKI: Yes.

CHAIRPERSON DESMOND: Please go ahead.

MR. ROKOWSKI: Just a few comments for the record. I'll be pretty brief. There's been a lot of controversy from suppliers regarding the removal of the film thickness specification.

I think Elaine's done a commendable job on handling all of that. I know there's been a lot of controversy.

The concern is that this opens up the opportunity for lower quality coatings out there in the market. If a manufacturer decides to set a specification that is very thin, it could last for only a brief period of time on the roof. And that could avoid the energy savings that everybody is aiming for.

I mean we don't necessarily agree with the 20 mil dry film thickness; we certainly don't agree with the full removal of firm film thickness spec'd for that.

We would recommend that it got switched off to the delay of change to be switched in 2008 ruling. And I know that's underway, instead of being changed for the 2005 regulations. I mean we're not really tied to the 20 mil film thickness. But the recommendation to remove it occurred quickly. We think there's not been enough time to air all the facts.

We'd like an organized and a systematic assessment to occur before it was implemented, and we think that's suitable in a 2008 timeframe.

I think there's a minimum film thickness under which neither the State of California or the elastomer roof coating industry needs will be met.

And that's kind of the basis for the comments.

That's all I have to say, thanks.

CHAIRPERSON DESMOND: Thank you, Mr. Rokowski. Commissioner Rosenfeld.

COMMISSIONER ROSENFELD: Elaine Hebert, --

(Laughter.)

MS. HEBERT: I like the sound of that.

COMMISSIONER ROSENFELD: I grew up in Louisiana. Would you respond to this suggestion that it be taken up again in 2008?

MS. HEBERT: I think that's a great idea. We got a lot of education over the last year. The 20 mils was based mostly for coatings that have acrylics in them. We learned that there are many other chemistries of coatings out there; that some of them will perform well at less than 20 mils.

We tried a number of different angles to address this. We ended up with the manufacturers' recommendation. We figure it's going to be hard to regulate; that people trying to go under the radar screen or people trying to sell an inferior product. We find it difficult to regulate how we would control that inferior products would be out

there.

We hope to educate building owners who will be making decisions about these products so that they'll know perhaps, not always, but if you spend little money you might get, you know, it's buyer beware kind of thing.

So we hope to do some education so that people will make informed decisions about the products they buy for their roofs. It'll take some time.

COMMISSIONER ROSENFELD: But our friends at Rohn and Haaf can be comfortable that it will get reconsidered?

MS. HEBERT: Yes, absolutely. And we're counting on their help.

COMMISSIONER ROSENFELD: Okay. Then I move the item.

COMMISSIONER GEESMAN: Second.

CHAIRPERSON DESMOND: All those in favor?

(Ayes.)

CHAIRPERSON DESMOND: Opposed? So moved. And, Mr. Rokowski, thank you for your comments. We'll make sure we keep an eye on that and the staff pays close attention.

MR. ROKOWSKI: Thank you.

CHAIRPERSON DESMOND: The next item on the agenda, California Commissioning Collaborative. Possible approval of contract 500-05-035 for $400,000 with the California Commissioning Collaborative to develop standardized commercial building commissioning and retrocommissioning strategies and tools improving building performance and reduce energy demand. Mr. Bourassa.

MR. BOURASSA: Good morning, Commissioners, Directors and attendees. My name is Normal Bourassa, Bourassa if you want the French pronunciation.

(Laughter.)

MR. BOURASSA: From the PIER buildings program. This contract proposes building commissioning research funded by the PIER electric program. The total cost, as you just said, is not to exceed $400,000 over the three years.

Building commissioning is best defined as a process of insuring that systems are designed and installed, functionally tested and certified capable of being operated and maintained according to the owner's operational needs.

Commissioning applies to new construction and retrocommissioning applies to existing buildings, just to help define those two terms.

Over the last half decade commissioning and retrocommissioning have proven to be effective strategies to identify and correct problems that cause energy waste in building systems and operations.

However, communicating these benefits to building owners and managers has proved difficult. And a better understanding of their concerns should be formalized. Moreover there is a shortage of standardized engineering tools, guides for the rapidly growing building commissioning provider industry.

The contractor, the California Commissioning Collaborative, commonly known as the CCC, is a nonprofit organization dedicated to making building commissioning common practice in California. The CCC provides near-term market connections for commissioning-related R&D products. And is providing strategic guidance to the PIER buildings program in the identification of future research needs.

This contract proposal will employ the unique nature of the CCC to help PIER buildings manage new commissioning related R&D over the next three years. And the proposed work includes a market research project aimed at clearly characterizing the value of commissioning for building owners and decisionmakers, as well as develop technology transfer strategies.

Additionally, there's projects for commissioning and retrocommissioning tools to provide strategic resources for the commissioning providers, helping them to market and deliver their services in a more consistently and cost effectively than has been in the past.

The CCC is at the forefront of building commissioning research nationally. And it is the understanding of PIER buildings that this work is not duplicative of any previous or current commissioning research effort.

The project is included in the 2005/2006 PIER buildings budget and the R&D Committee has approved it. And I'll answer your questions.

CHAIRPERSON DESMOND: Great. Thank you.

COMMISSIONER ROSENFELD: The R&D Committee thinks unanimously the commissioning is

pretty darned important, so I move the item.

COMMISSIONER GEESMAN: Second.

CHAIRPERSON DESMOND: Okay, I would only note that Commissioner Pfannenstiel worked very hard on the report we adopted here at the Commission, which emphasizes the importance of building commissioning. So this is very important work, and I appreciate the detail you went into in explaining the benefits of that today, so.

MR. BOURASSA: Thank you.

COMMISSIONER ROSENFELD: And, Mr. Bourassa, you're in for this on the long haul, too.

MR. BOURASSA: Yes, I am.

CHAIRPERSON DESMOND: Yes, so great. And thank you. So, with that I'll just call for the vote.

All those in favor?

(Ayes.)

CHAIRPERSON DESMOND: Opposed? So moved. Thank you.

MR. BOURASSA: Thank you.

CHAIRPERSON DESMOND: Agenda item number 6. Thomas Taranto. Possible approval of contract 400-05-019 for $12,000 to conduct a compressed air

systems assessment at Del Monte Foods Modesto Plant.

As part of the Energy Commission's food industry resource efficiency program the project will also provide a case study on compressed air systems, including recommendations on how industry can improve the efficiencies of the system. Mr. Amon.

MR. AMON: Good morning. My name is Ricardo Amon; I'm with the public programs office in the efficiency, renewables and demand analysis office.

The purpose of this $12,000 contract is to conduct a compressed air system assessment at the Del Monte Foods Plant in Modesto.

This project is one of several activities the Energy Commission has undertaken to promote the use of energy efficient best practices and technologies in the food industry.

The contract with Mr. Taranto is funded from a $71,800 contract the Commission was awarded, as a member of Western States Food Industry Resource Efficiency program. This multistate program received $750,000 from the U.S. Department of Energy's state technologies

advancement collaborative.

The other program partners include the Oregon Department of Energy, Washington State University Energy Office and the Idaho Department of Water Resources, the California League of Food Processors, the Northwest Food Processors Association, Del Monte Foods and the Lawrence Berkeley National Laboratory.

This contract has allowed the Energy Commission to advance the state's energy policy loading order goals by promoting energy conservation, efficiency and peak loaded option in the food processing industry, a large energy end-use consumer group.

This industry generates $60 billion to the state's economy, and it is the third largest industrial energy user. On an average year the industry consumes 50 to 100 gigawatt hours of electricity, and over 600 million therms of natural gas.

Although the contract with Mr. Taranto is targeting the compressed air systems which can consume between 10 to 20 percent of the electrical load in a typical food processing facility, the Energy Commission's efforts have also conducted

steam and process heat system assessments.

The implementation of system assessment recommendations can, on average, lead to 10 to 20 percent in energy savings.

The compressed air system assessment at Del Monte Foods will further promote energy efficiency in the food industry. The results of the study will be used to transfer the findings in a case study report to disseminate the benefits of conducting these type of system assessment work.

The contract has been approved by the Energy Commission -- by the Energy Efficiency Committee. And we recommend approval. And I'm able to answer, for questions.

CHAIRPERSON DESMOND: Thank you.

COMMISSIONER ROSENFELD: I move the item.

COMMISSIONER GEESMAN: Second.

CHAIRPERSON DESMOND: Mr. Amon, I have been to this facility; it's very impressive what they've done so far. So, I'm pleased to see that they're continuing to invest in these types of projects.

All those in favor?

(Ayes.)

CHAIRPERSON DESMOND: Opposed? So moved. Thank you.

MR. AMON: Thank you.

CHAIRPERSON DESMOND: Agenda item number 7, the 2005 building energy efficiency standards credit option. This is possible approval of a compliance option for distributed ice energy storage systems under the 2005 building energy efficiency standards. And this option is designed to provide compliance credit for ice energy storage systems installed in residential and nonresidential buildings as a way of reducing peak energy demand. Mr. Verma.

MR. VERMA: Good morning, Commissioners. My name is Ram Verma. Staff is requesting approval of a compliance option for ice storage air conditioners used for residential and nonresidential buildings.

Ice storage air conditioners save energy during the peak periods by shifting electric load to offpeak periods. These units make ice during the night; during the day buildings are cooled by melting the ice that is stored in the tank. The compressor usually doesn't run during the peak periods.

Approval of this compliance option will allow compliance credit for all ice storage air conditioners that meet eligibility criteria and acceptance requirements specified in the staff report.

In order to qualify for compliance credit mandatory duct testing and sealing is required for low rise residential buildings.

Approval of this compliance option will not have any significant environmental impact. This proposal has been approved by Efficiency Committee. And I'm open to questions.

CHAIRPERSON DESMOND: Great. Questions or comments? We have one public speaker.

Mr. Greg Tropsa.

MR. TROPSA: Tropsa.

CHAIRPERSON DESMOND: Tropsa. You know, this is the fifth person I think I've gotten the name pronounced mis-correctly this morning here. Please identify yourself for the record.

MR. TROPSA: Greg Tropsa, President of Ice Energy. I have less than two minutes of prepared remarks.

Peak demand, driving by building air conditioning, poses one of California's most

significant challenges to insuring reliable electricity supplies.

Today we seek your approval for a new class of market transformational technology, an environmentally friendly and efficient distributed energy resource referred to today as ice storage air conditioning. This is truly a landmark event, one that has the potential to transform the power industry.

For the first time since the invention of modern air conditioning, itself, Ice Energy's technology reverses the trend of peakier peaks by breaking the relationship between rising daytime temperature and increasing summer electricity demand.

Wide-scale deployment of efficient distributed energy storage resources for residential through commercial rooftop air conditioners is one of the largest opportunities we have right now to address the peak demand situation. And importantly, storage complements, improves value and accelerates the adoption of solar PV, wind and other intermittent renewable energy resources.

Distributed energy storage is also a new

class of capacity resource and is the best defense against rare heat storms. In the words of Bob Foster, your technology normalizes the weather. Adverse system congestions driven by heat will one day be a thing of the past.

Distributed energy storage is good for the environment, too. Shifting load to offpeak reduces NOx, CO2 and reduces the potential for smog formation.

We would like to acknowledge and thank Marcie Edwards, General Manager of Anaheim's Municipal Utility, and former Interim President of the California ISO. Marcie was the first utility executive in the state to embrace this technology. Anaheim also plans to be the first utility in the state to approve a complimentary package of incentives and tariffs to drive the rapid adoption of distributed energy storage.

We acknowledge the Southern California Public Power Association and its member utilities for their support. The City of Victorville, who was the first city to embrace and widely deploy Ice Energy's technology on the majority of their city-owned buildings. They see this not only as a great opportunity for economic development, but as

the right thing to do.

And finally, to thank the CEC Staff for their consideration and recommendation to support ice storage air conditioners as an approved compliance option method.

CHAIRPERSON DESMOND: Thank you very much. Just wanted to add here a moment that at our joint Energy Agency Action Plan meeting earlier this week we noted two things. One was that the state is not necessarily staying on track with meeting its demand response goals. And secondly, the importance of time-differentiated pricing and providing evaluation for the types of benefits this technology offers.

And so I would like to also recognize the work of the public power utilities in encouraging and working with staff here, as well as the Commissioners here, who have been supporting the development and demonstration of this. I think it's one of the most exciting opportunities, and would echo those sentiments. It truly provides a huge opportunity and would hope that the other utilities will look carefully at this, as well, to help get the state back on track.

Commissioner Rosenfeld.

COMMISSIONER ROSENFELD: Yeah, I just want to say the same sort of thing. Maybe I'm redundant, but, Greg, I hope you are the beginnings of a renaissance in thermal storage. That's great. It was popular at the beginning of the, oh, I don't know, the late '70s. And then it somehow or other didn't have the right sorts of supports.

But now, as Chairman Desmond just said, we have time-dependent valuation of electricity, which makes you cost effective in analysis. And we're going to have, over the next ten years, 10- or 12-million interval meters and tariffs which will cause people to pay attention to you.

So I hope that all works wonderfully, and good luck.

COMMISSIONER GEESMAN: I'll make the motion, then, if Commissioner Rosenfeld did not, that we accept this item.

COMMISSIONER ROSENFELD: Second.

CHAIRPERSON DESMOND: All those in favor?

(Ayes.)

CHAIRPERSON DESMOND: Opposed? So

moved. Thank you, Mr. Verma.

MR. VERMA: Thank you.

CHAIRPERSON DESMOND: Agenda item number 8, the Overall Program Guidebook and possible adoption of the April 2006 revisions to the overall program guidebook for renewable energy program. The guidebook is providing specific information on how the Commission's renewable energy program is administered. The proposed changes include revising and updating various definitions.

I would note we do have two speakers for agenda item 8, and one for 9. Nine is related to that. But why don't we take up number 8 first. Ms. Raitt.

MS. RAITT: Thank you. Good morning, Commissioners. I'm Heather Raitt from the renewable energy program. And these are proposed edits to the guidebooks which we use to implement the RPS program here at the Energy Commission that we implement collaboratively with the CPUC.

And just to give a brief background that applies to items 8, 9 and 10 on the agenda, the guidelines implement our rules for implementing, excuse me, the RPS statutes, which are to certify

eligibility of renewable facilities as eligible for the RPS and eligible for supplemental energy payments. Certify incremental geothermal production. Design and implement an RPS tracking and verification system. And award supplemental energy payments.

And we have the ability to revise the guidebooks as needed, to respond to public comments, lessons learned and statutory and market and regulatory developments. And those are the reasons for our proposed changes today.

We've gone through a public process to vet these changes. Initially the draft guidebooks were released in November 2005 for comment. We held a workshop on December 7th. And we subsequently revised the guidebooks again and held a second workshop April 17th to discuss the proposed changes.

And we bring these forward to you today for your proposed consideration for adoption.

The changes to the overall guidebook, as you mentioned, are to revise and update definitions, particularly to awardee commercial operations, community choice aggregator, electric service provider, electric corporation and retail

sellers. And these are primarily, as I mentioned, to respond to comments we've received and to update the definitions according to regulatory and other changes.

And then I, if you'd like I can present the other guidebooks separately.

CHAIRPERSON DESMOND: If you don't mind, we'll take up item number 9 right now, at the same time, which is the portfolio standard eligibility guidebook. And the adoption of the April 2006 revisions.

MS. RAITT: So the RPS eligibility guidebook has more extensive changes. It changes really to updating to be consistent with CPUC decisions, to implement AB-200, which applies to multijurisdictional utilities that serve California customers.

It's also implements rules to -- or, excuse me, guidelines to certify incremental geothermal production; to offset or quantify how much generation is produced, as what qualifies as incremental geothermal.

We've also made edits to the delivery requirements, to clarify that parties can negotiate delivery terms, including which party is

responsible for transmission rights along the transmission path.

We clarify various RPS-specific eligibility criteria for fuels, including the biomass facility seeking SEPS are subject to the California timber harvest plan requirements.

And that we also clarify that for the RPS eligibility certificate we will show the certification number, as well as the facility size, fuel type, location and the owner.

And we've also clarified precertification for the cases if a facility is not yet online, the applicant can seek precertification from the Energy Commission. And we have a disaggregated applications, so there's two separate applications. One for certification and one for precertification.

We've made clarifying changes to the tracking system describing the process of how we conduct the verification consistent with RPS procurement verification report.

We have proposed forms for generators to report the amount of generation they produce on a monthly basis; they report that annually. And we've also revised the forms where the utilities

report to us their procurement to update those forms, for example, to have them identify how much procurement counts towards incremental procurement target versus the baseline. And to implement the tracking requirements for out-of-state delivery and AB-200.

We also have a errata for this guidebook. And if you'd like, I can go through the errata proposed edits to this guidebook that are subsequent to what was discussed at the April 17th workshop.

MR. HERRERA: Commissioners, if we have time, --

CHAIRPERSON DESMOND: Please.

MR. HERRERA: -- I think it would be best for the record to go through the errata, since they are nonsubstantive kind of conforming changes that were made only after we received comments and after these draft guideline revisions were published, so --

CHAIRPERSON DESMOND: Thank you, then please proceed.

MR. HERRERA: -- for the record.

MS. RAITT: Okay. They clarify that the RPS targets are annual and other clarifying

editorial changes to the discussion of targets. Refer to the current CPC rulemaking and its successor. Clarify that the delivery from out of state could be delivered anywhere instate, not just into Cal-ISO is applicable. CPC rules allow delivery outside of Cal-ISO.

Clarifies the intent of the guidebook as drafted in April 2006. Clarify application of AB-200, that it applies to utilities that serve 60,000 or fewer customer accounts in California. And make technical corrections to the NERC tag references, such as to refer to point of receipt rather than point of delivery. And to refer to the NERC identification as a point-source name, other than that NERC identification number.

Clarify that the retail sale and facility may negotiate which party's responsible for securing transmission at any point along the delivery path. Clarify that a facility that is not yet online may apply for precertification. And, as I mentioned, we made two separate forms for certification and precertification.

Clarify that if a facility uses fossil fuel the annual percentage of fossil fuel be included on the certificate of RPS eligibility.

And that if there are any changes to that annual use of fossil fuel use, it needs to be reported to the Energy Commission.

And for the delivery from out of state, clarify that the verification is based on the amount of energy procured, not simply the amount generated.

And those are the proposed errata for the RPS eligibility guidebook.

CHAIRPERSON DESMOND: Thank you. Commissioners.

COMMISSIONER GEESMAN: I think she had one other guidebook she was going to go through.

CHAIRPERSON DESMOND: Okay.

MS. RAITT: And I have one more guidebook. We also have the new renewable facilities guidebook. The proposed changes to that guidebook are to clarify and update the supplemental energy payment process. The guidelines refer to a request for bid-specific data for all bids submitted to the utilities in response to the RPS procurement solicitations.

We also have implemented the prevailing wage law. And made other changes including to revise the supplemental energy payment

application; and to include request for milestones for the project in the application. And the request for the utilities advice letter filing to the CPUC.

We also clarify that the funding confirmation letter is -- may be conditional, approval of the funding confirmation letter may be conditional upon approval of the CPUC contract. CPUC's approval of the contract, excuse me.

And we also make a clarifying reference that to the existing account for cross-reference between the accounts and the renewable energy program.

We have two errata for this guidebook. One is to clarify that the Energy Commission is seeking data on each of the bids that the utility receives. And the second is to clarify that the utilities may seek confidential treatment on their forms in which they report to us the data on the bids that they receive. Previously we had referred to the ability to apply the confidential status on their SEP applications, but this just adds that reference to their forms on the bid data.

CHAIRPERSON DESMOND: We have two public

speakers so far. Mr. Skowronski from Solargenix.

MR. SKOWRONSKI: Thank you for the opportunity to address the Commission. My name is Mark Skowronski; I work for Solargenix. In the renewable energy industry, as a whole, the guidebook is basically the bible that we follow. And we're having a problem with (inaudible). Thank you.

This is the supplemental energy payment. Heather referenced that there were changes. I don't know if there's further changes in the last couple weeks, but the problem we have is the security of the SEP payment.

We're finding it extremely difficult, if not impossible, to finance a project because of the lack of security of payment. If you're getting money from a lender they want to make sure that we get paid so we can pay them.

And as it stands now, it's very very difficult to finance a project. If we do not have this addressed, then I would recommend that immediate action be taken to address the particular problem.

CHAIRPERSON DESMOND: Commissioner Geesman.

COMMISSIONER GEESMAN: Commissioner Pfannenstiel and I conducted the workshop, I guess a week ago, two weeks ago. And Mr. Skowronski and several others, including the representative from TURN, made this point.

Both Commissioner Pfannenstiel and I agree that it is an important concern. It's my understanding that that concern has been registered in the Legislature. And that there will be steps taken to address it legislatively. I believe Senator Perata's Office is looking at this right now.

So, it would be my hope that this issue will be able to be resolved in this legislative session. It will take a change of statute in order to resolve the question. We don't have the authority within our guidebooks to create a separate escrow account held by a third party.

And I think the financial markets will require that type of third party escrow in order to make the SEPs something that can be used in a financing.

CHAIRPERSON DESMOND: Thank you for the clarification. Does that address, as Commissioner Geesman has identified, the encumbrance you need.

MR. SKOWRONSKI: Yes, thank you, gentlemen.

CHAIRPERSON DESMOND: Great, thank you. Mr. Guliasi.

MR. GULIASI: Good morning, thank you, Chairman Desmond and Commissioners. I just want to make two comments, or comment on two issues, both of which were addressed in the comments we filed with the Commission last week.

The first one has to do with confidentiality, and I'll be brief on this. It'll be no surprise to you that we believe that some limited information should remain confidential for some limited period of time. The kinds of information we're talking about have to do with contract terms and pricing.

We recognize the responsibility that this Commission has to certify and establish eligibility. We recognize the responsibility that this Commission has to evaluate and award supplemental energy payments. And we understand that you need information to do your job and to execute your legislative responsibilities and your fiduciary duties.

So, just to be clear, this is not about

withholding any information from this Commission. We believe this Commission is entitled to all the information it needs to do its job. We're just concerned about broad public disclosure and disclosure to market participants.

We need, you know, to get down to business and work out the terms of confidentiality; precisely what information will remain confidential and for what period of time. But I believe a limited amount of information for a limited period of time is justified. And we've outlined some recommendations in our comments.

The second issue has to do with eligibility of renewable projects. And again, this is a topic that we addressed at length and in some detail at the April 17th workshop. It has to do with the eligibility of out-of-state deliveries, particularly intermittent resources.

I think the changes in the guidebooks go a long way toward making necessary clarifications about eligibility. I think maybe more work needs to be done as we move forward, just to understand how, in reality, energy is delivered into California and received into the California grid.

Just so you know, we're engaged right

now in some bilateral negotiations with wind developers in the Northwest. We'll probably be engaged with other wind developers as the result of future RPS solicitations. And it's important that we kind of work out some of the details of this to insure that those deliveries are eligible for the program.

I think what we'll do, we'll have an opportunity soon, I'm hoping, to come to you with some contracts that will demonstrate in a real practical way how deliveries are made. And to satisfy you that these deliveries are eligible for the program.

And that concludes my remarks. If you have any questions, I'd be happy to entertain them.

CHAIRPERSON DESMOND: Any further questions?

MR. GULIASI: Thank you very much for your time.

CHAIRPERSON DESMOND: Thank you for those comments. Look for a motion.

COMMISSIONER GEESMAN: Mr. Chairman, is it your preference that we have a single motion for all three --

CHAIRPERSON DESMOND: Single motion for all three.

COMMISSIONER GEESMAN: I'll make that motion.

MR. HERRERA: Commissioner Geesman, can I interrupt? I apologize. But just for the record, need -- make a couple statements concerning CEQA. The legal office reviews these guideline revisions every time they come about to make sure we comply with CEQA.

We did that. The adoption of these guidelines is not a project under CEQA because it deals with a continuing administrative matter related to general policy and funding mechanisms. There's a specific exemption that calls it out it's not a project, and that is in California Code of Regulations, Title 14, sections 15378(b)2 and 4.

So, just for the record, this issue is not -- or the adoption of these guidelines is not subject to CEQA.

CHAIRPERSON DESMOND: Thank you for the clarification. I apologize to Commissioner Geesman. Mr. Alvarez from Edison had indicated he wanted to address agenda item number 10.

So, since we're taking them collectively, if you would.

MR. ALVAREZ: Good morning, Commissioners. Manuel Alvarez, Southern California Edison. I apologize, I didn't realize you were doing 8, 9 and 10. I thought it was only 8 and 9.

But item 10 is the new renewable facilities program guidebooks, and the issue I'd like to raise is follow up with PG&E's comment dealing with the confidentiality issue.

We sent the Commission a letter outlining our concerns about the scope in which confidentiality is granted or not granted. The errata basically gives us an opportunity in which to apply, which was always available to us in either case. So, we don't think we've made any real progress in that particular area.

The use of the guidebooks, primarily Edison has supported the use of the guidebooks for this particular program since its inception. Primarily for the reasons that Heather brought to your attention earlier in terms of the fluidness of the program, the changes in dynamics of the program, the market structure and the entire

activity we went through.

And for that reason the guidebook approach has been worthwhile. But, I think in this particular case we have failed to kind of address the confidentiality questions that we need to address within the new program, the new renewable program is something I think we need to do.

The Commission does have an open process, an open OIR dealing with data collection, which we will start addressing on May 2nd. That's going to put a lot of questions into discussion about data and the scope. And I guess we would have preferred to have some discussion here on confidentiality within the guidebooks on this particular program, as opposed to pushing them over.

So, with that comments, those are our concerns. And we would hope the Commission would address the confidentiality question. Thank you.

CHAIRPERSON DESMOND: Thank you. Commissioner Geesman.

COMMISSIONER GEESMAN: Yeah, Mr. Alvarez, as you well know, we are simply on different planets when it comes to what the

statutes and the State Constitution require in terms of confidentiality.

The way our process works, as you well know, the first call on that issue is made by our Executive Director. As a consequence, Commissioner Pfannenstiel and I did not feel it was appropriate to preemptively address that question in these guidebooks.

But I would remind you, as we brought up repeatedly, in the IEPR process last year, there is no aspect of utility regulation that suffers from a greater lack of transparency than the procurement aspect. This is a program, the renewable portfolio standard, which is now becoming, I think, widely regarded as off track.

So I don't think there's a single candidate that better recommends itself for more transparency than the RPS solicitations, and the performance of the utilities in conducting those solicitations.

Different planets, as I observed.

MR. ALVAREZ: Well, different structures and different regulatory and different market views. Thank you.

CHAIRPERSON DESMOND: Mr. Alvarez, I

appreciate your comments. I did notice a hand go up in the back for one additional speaker. Mr. Kelly, you stood up and indicated you also wanted to -- still do or don't?

MR. KELLY: Yes, I do, thank you.

CHAIRPERSON DESMOND: Okay.

MR. KELLY: Fortunately, not on this subject. But I did want to follow up on Mr. Skowronski's comments, and then Mr. Geesman's comments on the SEP payment.

Mr. Geesman indicated that there is a potential solution to the Legislature, which would be helpful. If that is not a vehicle, for whatever reason, for solving this problem, another solution for providing the means to secure ties or finance the SEP payments is if this agency would use its good offices to impress upon the Public Utilities Commission that language in their rules and decisions that would indicate that the ratepayers to the utilities will stand behind the contracts, including the SEP payments, if they're not available or go away during the course of that period, might help the financial community finance these contracts.

That's not there yet. And the comments

that Mr. Skowronski made are comments that I'm hearing from developers, as well. And we're presenting that to the Commission now. But this agency could go a long way in trying to enforce the importance of getting some backing behind the -- to solidify the uncertainty about those deals. And I think you can do that through kind of some sort of comments about ratepayer backing utility support for the full terms of the contract.

CHAIRPERSON DESMOND: It's a helpful suggestion. And I know this Commission has never shied away from making recommendations to the PUC.

Any further discussion. With that, Commissioner Geesman.

COMMISSIONER GEESMAN: Mr. Chairman, I would move that we approve the guidebooks referenced in items 8, 9 and 10.

And I'd certainly compliment Ms. Raitt and the rest of the renewables staff and Mr. Herrera for the outstanding work they've done over the course of the last five or six months in updating these guidebooks.

And I would also thank the various representatives from the industry and other

stakeholder organizations that have helped us to do that.

COMMISSIONER BOYD: I'll second that motion, since Commissioner Pfannenstiel is not here, as the other Member of the Renewables Committee, but as a former member of that Committee, I want to add my compliments to the staff.

I know how much work goes into this effort and I think they've done a very good job indeed. So, it's with pleasure that I second the motion.

MR. CHAMBERLAIN: Mr. Chairman, just for clarification.

CHAIRPERSON DESMOND: Mr. Chamberlain. Procedurally do you want to take these up one at a time?

MR. CHAMBERLAIN: No, no, I just want to be sure that the motion includes the errata that were discussed.

CHAIRPERSON DESMOND: Thank you.

COMMISSIONER GEESMAN: Yes, it does.

CHAIRPERSON DESMOND: Okay.

COMMISSIONER BOYD: The second does, as well.

CHAIRPERSON DESMOND: Thank you. With that I'll call for the vote.

All those in favor?

(Ayes.)

CHAIRPERSON DESMOND: Opposed? So moved. Thank you, Ms. Raitt, Mr. Herrera.

MS. RAITT: Thank you very much.

CHAIRPERSON DESMOND: Agenda item number 11, which is the 2005 appliance efficiency regulations amendments and possible adoption of the proposed amendments to the 2005 appliance efficiency regulations, docket number 05-AAER-2, published as express terms of proposed regulations in the 15-day language. Mr. Flamm.

MR. FLAMM: Good morning, Commissioners. Thank you for the opportunity to present this. I'd also like to acknowledge the National Electrical Manufacturers Association for their continued efforts, and the Pacific Gas and Electric Company for their continued technical support, as well as the California Lighting Technology Center.

The proposed amendments to the appliance efficiency regulations are a continuation of amendments that were adopted in December 2004.

They have been informally identified as tier one and tier two standards.

The tier one standards were adopted in 2004. The Energy Commission directed the Energy Efficiency Committee to work further on the tier two items, which is what we are bring for possible adoption right now.

There are basically four components. There's regulations for general service incandescent lamps, tier two standards, that are a little more efficient than the tier one standards that were already adopted.

There are regulations for incandescent reflector lamps, as well as for metal halide luminaires. Both a lamp standard and a ballast standard. As well as minor clarifications and corrections for hot food holding cabinets, power supply accessories, walk-in refrigerators and freezers, and pools and spas.

Thank you.

CHAIRPERSON DESMOND: Thank you. I'd note that we do have two public speakers, but first any questions or comments from the Commission?

Let me ask Mr. Pete Palm with Western

Pacific Distribution.

MR. PALM: Yes, sir. I want to talk about the language on the walk-in coolers. They had stated that they wanted to add floors and doors. And we're wholesalers in the industry. And with the new laws in 2006, the consumer is paying a considerable -- considerably more money now than they were last year.

Just to give you a rough idea, and these are wholesale costs, 10-by-10 walk-in cooler last year would have cost, just the panel without the refrigeration, roughly $3700. The increase, if we were to add this, would be roughly $6,100. So we feel that it's pretty substantial to the consumer.

Also, the gains doing the calculations through ASHRAE, we find that the refrigeration systems do not change in size. So, we feel that the gains aren't very much.

But, also, the enforcement is very very difficult. It's hard, in replacement situations, to see the difference between the inside of a gavilan wall between styrofoam or a more efficient wall. So there's a lot of business being lost by us that are trying to comply with the new laws right now.

We've seen a considerably drop, and we know it's because costs were considerably higher.

CHAIRPERSON DESMOND: Is staff available to respond to that?

MR. MARTIN: Michael Martin. The proposal today is strictly to add a definition of what the envelope was. We used the term without defining it. And the item that we have here is to include walls and ceilings, but not doors and floors.

We are continuing to look into what other changes might be made. But this is the limit today, the clarification of the term that we failed to define before.

CHAIRPERSON DESMOND: Thank you, Mr. Palm. Does that address the concerns that you have?

MR. PALM: Yes, as long as we don't put the floors and the door on the coolers.

CHAIRPERSON DESMOND: And I understand from staff that is not being proposed here. Thank you.

Next speaker then is Gary Ulstrom (sic) with PG&E.

COMMISSIONER ROSENFELD: Fernstrom.

CHAIRPERSON DESMOND: Fernstrom; it's the handwriting, you know, --

COMMISSIONER ROSENFELD: Gary, do you have a favorite way of pronouncing that in Scandinavian?

(Laughter.)

MR. FERNSTROM: No, but I'm working on it. Thank you, good morning, Commissioners. I'm Gary Fernstrom, Senior Program Manager with Pacific Gas and Electric Company.

About a decade ago I developed PG&E's codes and standards program. And over the last ten years we've been advocating for improvements on building and energy efficiency standards in the state.

I'd like to comment on a couple of things. I'd like to make some generalized comments on how difficult it is to bring about efficiency improvements when dealing with large national industry institutions such as NEMA. And then I'd like to read into the record some specific comments with respect to this proposed decision.

So, on the former issue, when we were advocating for the tier one improvements for

lighting, we were astounded that NEMA alleged that some of the published data on light bulbs, that is their lumen output and watt input, might not be correct.

And in order to counter that allegation, since our recommendation was based largely on a survey of published data, we hired the Lighting Research Center to test a hundred light bulbs. And found that, indeed, light bulbs do perform as advertised.

So I give this example to show that industry's arguments in these cases are many times allegations, and the proponents of energy efficiency improvement are forced to do laboratory testing or provide factual data to counter the industry allegations.

The second example I'd like to give has to do with the issue that is being decided this morning, or part of the issue, anyway, and that is for modified spectrum lamps.

Industry has alleged that modified spectrum lamps are a niche product and are not found in large numbers are comparable low prices with other everyday products like softwhite light bulbs and standard incandescent light bulbs.

PG&E did a market survey and found that, in fact, these modified spectrum lamps that are scheduled to be exempted in today's action, are available broadly. In fact, they can be found at Walmart in both Durango, Colorado and the San Francisco Bay Area for 42 cents each in four packs, sitting right alongside the softwhite and standard lamps on the shelf.

So, industry again has made an allegation here with no facts to back it up. The proponents for energy efficiency improvement, PG&E did a market study, found these products on the shelf. And the Commission seems to be inclined to agree with the industry that these products are niche products.

I just give you these as two examples of how difficult it is, given the codes and standards process, for the advocate to bring forward information that results in positive improvement.

Lastly, NEMA just recently alleged that they had built a krypton-filled lamp, and it failed to meet their expectations, failed to meet the performance that would be indicated by published literature that has been in existence for 50 years about the performance of incandescent

lamps, and failed to meet PG&E's expectations of efficiency performance.

I find that hard to believe. I think I could probably build a krypton-filled lamp in my garage that would fail to meet expectations. So, I think the challenge here is to come up with something that does perform as the published data would indicate that it could.

So, having made the point about the difficulty of bringing about energy efficiency improvement, let me read my brief remarks here with regard to this action today.

First, I'd like to thank the CEC Staff and the Efficiency Committee Members for their hard work seeing these tier two standards through to completion. This has been a lot of hard work for all of us, and I know everyone has addressed it with their best intentions and utmost effort.

The tier two general service incandescent and metal halide luminaire ballast standards have been under development since sometime in 2002. So we've all been at this a long time. By adopting these standards today the Commission affirms the large cost effective and feasible savings opportunity associated with these

lighting products.

We're pleased to see these standards and language for these measures being positioned for adoption today.

With respect to metal halide luminaire ballasts, we had pushed for standards that emphasized broader deployment of electronic ballasts. While we wished that the bar was higher than the 88 percent finally set forth, we believe that it's important to make allowances for the new generation of electronic ballasts for ceramic metal halide lamps, which offer a variety of energy efficiency benefits.

Despite our support for the intended results of the general service lamp standards, we're concerned about the ultimate impact of these standards as crafted. For example, the standards language now being adopted will only deliver the full intended benefits if manufacturers elect to meet the spirit of the standard, in addition to the letter of the standard.

We would have preferred an approach where the standard required the desired outcome, that is lower wattage while maintaining the original lumen output.

We're concerned that market forces will be such that even well intentioned manufacturers may be forced to retreat to the dimmer bulb approach that meets the letter but not the spirit of the standard. We feel the outcome of these standards will be lamps that are not only dimmer, but less efficacious than lamps sold today.

Similarly we're very concerned about the threat to overall savings anticipated for the general service standard from growth in low efficacy modified spectrum segment lamps, which the CEC has now elected to exempt from the standards.

Given the recent aggressive pricing for modified spectrum lamps found in visit after visit to major retailers, we worry that other manufacturers may be drawn into the fray, and that individual manufacturers will become powerless to slow the market share growth of this product category.

So we urge the Commission to closely follow sales trends and act swiftly to close the modified spectrum loophole at the first sign of optimistic market -- pardon me, opportunistic market share growth. Furthermore, PG&E will seek

to reintroduce its tier two language as part of its 2008 appliance standards advocacy efforts to insure that lamp efficacy is increased rather than decreased.

So, in sum, we're not opposing the adoption of these standards, but our observation is it's very very difficult to bring about improvement, and I'm not sure that we have the best resolve yet. And we're looking forward to being able to address this again in the next standards go-round.

Thank you.

CHAIRPERSON DESMOND: Thank you for those comments. Commissioner Rosenfeld.

COMMISSIONER ROSENFELD: Gary, first I want to thank you for your eternal vigilance. It's been a hugh pleasure working with PG&E. And although you know this, just for the sake of the rest of the people in the room, today's adoption order does include paragraph four, which does address the data collection issue on this alleged niche market. And that's part of the record.

So, we will watch it. Thank goodness we have the tradition of updating these standards every three years.

What I wanted to ask you to do is, we had only adopted the niche market issue for the niche market lamps. Your concern is a very valid one that either large American manufacturers will produce dimmer lamps and lower wattages instead of doing the great thing of adding krypton or some other trick and giving us the same lumens for less watts.

I hope that PG&E will continue to monitor that. That's not something that we need official sales data on. You have gone out to, I think you said, what, Walgreen's and -- I've forgotten which two stores you mentioned --

MR. FERNSTROM: I mentioned Walmart, I didn't mention Home Depot, but we looked at both of those.

COMMISSIONER ROSENFELD: Okay, you did that. Bless you. Please keep it up. And keep pressing us to do the right thing and correct -- if we've been too naive in the '05 standards, we'll address it in 2008. So, thank you very much.

MR. FERNSTROM: -- for your hard work on this issue.

CHAIRPERSON DESMOND: Gary, I have a

follow-up question. You made reference to a couple -- of market share of the modified spectrum lamps, but I didn't hear a figure. Is it 5, 10, 15 percent? Do we have a sense of what that might be?

MR. FERNSTROM: I didn't give a specific number because that information is unavailable. I did give the cost and the observation that they're sitting on the shelf right next to other mainline items in the lighting business.

CHAIRPERSON DESMOND: You've done obviously a lot of good market research work in this area. When consumers are faced with those choices at the point of purchase, generally I would imagine they're thinking in terms not of lumens, but they equate watts with lumens.

So are we looking at packaging issues that would present a 60 versus a 54, even with the krypton, where people might assume and not look to the lumen output? Or how is that being addressed? In other words, how do you encourage people to buy more efficient lamps if they're used to only making that decision based on rated wattage?

MR. FERNSTROM: PG&E's hope, and I believe the Energy Commission's hope, is that

public education will encourage customers to buy the better reduced wattage lamps.

However, if you look at the enhanced spectrum lamps now, they're very brightly packaged and have the comment that they provide a higher quality of light to consumers despite the fact they're the least efficacious products on the market.

We believe that if consumers are seeking higher quality light, they should be looking at compact fluorescent lamps which give high color rendering indices, and also very careful control over color temperature.

CHAIRPERSON DESMOND: Thank you. Commissioner Geesman.

COMMISSIONER ROSENFELD: I'm sorry, I will make the remark, Chairman Desmond, we are working with Flex-Your-Power and with industry to do what I think is a grand experiment, which is to try our darndest to get people to look at lumens and not watts.

We would hope, in California at least, with this experiment that when you get to the supermarket or the store, that the first thing that hits your eye is the new 54 watt lamp with

the unreduced lumens. And you just don't even see in general service lamps the old 60.

Then comes the terrible problem of the niche market and the -- well, we just have to watch it. So, we're trying an experiment. It's a great experiment.

And before we quit, I want to thank not only the staff, but the hugely long hours of John Wilson and Tim Tutt in working this through and trying to get this experiment going. Sometimes I don't see John for a week at a time because he's working on this; and the same goes even more for Tim Tutt.

MR. FERNSTROM: It's only a light bulb, but we've all really agonized over this.

CHAIRPERSON DESMOND: Well, I appreciate that, and appreciate the discussion, the details on what we would categorize as same light-less billing, not to make a reference for those of you who remember the --

(Laughter.)

CHAIRPERSON DESMOND: Commissioner Geesman, you had --

COMMISSIONER GEESMAN: I'll wait for Commissioner Rosenfeld's motion.

COMMISSIONER ROSENFELD: I move the item.

COMMISSIONER GEESMAN: I'll second it. I do want to say, though, Gary, that my views, I think, are a little closer to yours, or probably a lot closer to yours than the standards that we're adopting now.

And I really want to reiterate what Commissioner Rosenfeld said to you in terms of please monitor this dim bulb scenario. And if you see that manifesting itself, bring that to our attention.

I look forward to your involvement in the '08 cycle of standards. I really want to compliment what you and your group within PG&E have been able to accomplish. I think you enjoy immense credibility with us and with others of similar ilk around the country. I wish more of them were in your industry.

But, I just want to encourage you to keep on pushing us. You've made a real contribution to this effort, and I think that all of us are grateful to you and your management for allowing you to do that.

MR. FERNSTROM: Thank you very much.

COMMISSIONER ROSENFELD: Before we vote, I also forgot to notice Chris Calwell, the other unsung -- no, pretty well sung, hero in this.

(Laughter.)

COMMISSIONER ROSENFELD: -- is sitting here, and, Chris, thanks a lot.

CHAIRPERSON DESMOND: Thank you.

COMMISSIONER BOYD: I think we have to be careful with the dim bulb references, though, Commissioner Geesman.

(Laughter.)

CHAIRPERSON DESMOND: So we're looking for a motion.

COMMISSIONER ROSENFELD: I think I moved it.

COMMISSIONER GEESMAN: And I seconded.

CHAIRPERSON DESMOND: Oh, thank you, I'm sorry. In that case I'll call for the vote.

All those in favor?

(Ayes.)

CHAIRPERSON DESMOND: Opposed? So moved. Thank you.

Moving on, minutes, the approval of the April 12, 2006 business meeting.

COMMISSIONER ROSENFELD: I move the

minutes.

COMMISSIONER BOYD: Second.

CHAIRPERSON DESMOND: All those in favor?

(Ayes.)

CHAIRPERSON DESMOND: Opposed? So moved.

Item 13, Committee presentations and discussion on behalf of the Commission. I know we have several items. Some, I want to take a moment here, and address.

First off, the Commission has received a number of indications over the last several months about the challenge on renewable energy development and the cost impacts of credit policies. This, in fact, was raised most recently again by Mr. Kelly in the audience at the Joint Energy Agency Action Plan meeting.

What I wanted to discuss today is to let the other Commissioners know that the Electricity Committee, Commissioner Geesman and myself, have been working on this issue for some time. And what I wanted to note is that we are now planning to hold a workshop to address the credit issues and the credit policies that are imposed for both

new and repowered generation facilities in California, with particular emphasis on renewable energy.

Obviously these credit policies have an impact on the cost of generation and financing. We obviously have to balance appropriate financial protection against the needs for encouraging new facilities and insuring that consumers can benefit from these lower costs.

The purpose of the workshop is to bring together investment bankers, power plant investors, portfolio managers, insurance companies, developers, risk managers and the investor-owned and publicly-owned utilities to address credit policies for projects in California.

What I would indicate is we're looking to cover six topics in that workshop. The first is to examine how the credit policies in other states compare to California.

Secondly, we're looking to characterize how California's current credit policies contribute to project costs in terms of real dollars. We're looking to explore the extent to which these policies impede generation project

development, including renewable projects.

We're looking to identify a set of prudent solutions that would satisfy present credit policies, while lowering the effective cost of capital. And including an exploration of modified step-in rights, insurance products, risk pooling and letters of credit.

We want to quantify the range of potential savings to ratepayers of one or more of these actions. And lastly, we want to be looking at topics for future research and establish next action.

So I just want folks to know that we have been listening very carefully and we will be taking this issue up and expect to then, from that workshop, produce a summary report.

So, if anyone wishes to -- Mr. Kelly.

MR. KELLY: That's wonderful news to hear that you're doing this. I am working with the PUC on similar kind of things, trying to move things forward.

Do you have a date for this workshop?

CHAIRPERSON DESMOND: I think we're going to publishing the notice next week. It'll be late June, I think, is the target that we have.

MR. KELLY: That'd be good. I just recommend, I would like to try to bring some very senior finance people from development arms of these companies, many of which are located out of state. Being able to tell them far enough in advance to prepare for this, and arrange their schedules would be very helpful.

CHAIRPERSON DESMOND: That would be very helpful. I would encourage you to contact the Committee. I know Chuck Najarian in my office has been coordinating that. And we have, in fact, been in touch with many people out of the State of California on this. So it would be good to compare notes.

MR. KELLY: I drug a couple from the east coast out to talk to CPUC --

CHAIRPERSON DESMOND: Yes.

MR. KELLY: -- Staff, and it was --

CHAIRPERSON DESMOND: Great.

MR. KELLY: -- it worked well.

CHAIRPERSON DESMOND: Excellent, thank you. So, again, I want to thank Commissioner Geesman, as well, for his work on that.

Second item, Commissioner Geesman.

COMMISSIONER GEESMAN: We wanted to give

a presentation from the Renewables Committee. Basically a repeat of a briefing that Commissioner Pfannenstiel and I received from Competitive Energy Insight on some PIER-supported work on combined heat and power applications.

COMMISSIONER BOYD: Mr. Chairman, before moving to that, could I mention just a couple things quickly --

CHAIRPERSON DESMOND: Of course.

COMMISSIONER BOYD: -- before getting a formal presentation.

As you know only too well, yesterday the Governor issued his executive order on the bioenergy, following up on the report that we submitted at the end of March. And that was a very significant event, day for us. And the Chairman hosted a couple of telephone call briefings that I listened in on, and did a very good job. Plus there was a press conference over in the Capitol where this issue was brought up.

So, today I've received several emails from hardline advocates over the years who thought yesterday was a real banner day for the effort and for the Energy Commission. So I thought it was deserving of note, and, of course, we have

committed to helping the Governor with a detailed action plan in the very near future, which we look forward to.

Secondly, I represent the Commission on the California Fuel Cell Partnership. The Commission is a member, a long-time charter member of the Partnership. And this past Saturday the President paid a visit to the Fuel Cell Partnership to highlight the, on earth day, as a matter of fact, to highlight the issue of certainly of fuel cells and hydrogen.

But in the very brief moment I had with him I thanked him for his references in his speech and in his Saturday morning radio broadcast to the subject of plug-in hybrids. He pushed it very hard. And I thanked him for noting that there are other technologies, some other things we need to do in the short term before crossing the bridge to the hydrogen future.

So I thought that was a very positive thing. It didn't get any press, unfortunately, either levees or hydrogen got all the press. But, nonetheless for those of us who want to make a point of plug-in hybrids, which this agency did in its Integrated Energy Policy Report, I think that

was a significant concession, I'll say, on the President's part to indicate there are other technologies that we should be pushing real hard.

CHAIRPERSON DESMOND: Commissioner Boyd, I appreciate that. I'd also, for the record, note that you're being modest. You deserve much of the credit for the work of the Interagency Biomass Collaborative. And so, equally deserve to be acknowledged and recognized for that.

I'd also point out that Commissioner Rosenfeld is due to be recognized this Friday, I understand.

COMMISSIONER ROSENFELD: Yeah.

CHAIRPERSON DESMOND: We'll save that for another time.

COMMISSIONER BOYD: Something to do with 80 years of age?

CHAIRPERSON DESMOND: I think we're all set; we'll move into the presentation then.

MR. RAWSON: My name's Mark Rawson from the Public Interest Energy Research program here at the Commission. Thank you, Commissioner Geesman and the Renewables Committee, for giving us the opportunity to highlight some topical research results that PIER has funded this last

year.

With me is Steve Provol from Competitive Energy Insight. He's the contractor that performed this analysis for the Energy Commission.

The Commission funded this analysis to look into what economic drivers affect the feasibility of CHP projects in California from the owner's perspective. CHP-related topics have been a high point in the 2005 IEPR discussion around distributed generation used in combined heat and power applications. It's also a key component of California's loading order.

And so this study's investigation into CHP deployment-related issues has uncovered some interesting findings around economic and institutional barriers that are hampering, potentially hampering the implementation of CHP in the state, that are worth having a discussion about.

Also for the record, this project was just recently completed at the end of March. Staff is in the process of getting the final report for this project published. We expect it to be published and posted on the Energy Commission's website within a few weeks.

There is a handout of Mr. Provol's presentation that he's making, on the table out front. And you can look at the PIER website here in the coming weeks when the report is made available. Thank you. Steve.

MR. PROVOL: Thanks, Mark. Good morning, Commissioners. Can you hear me okay?

CHAIRPERSON DESMOND: Yeah.

MR. PROVOL: Okay, well, I appreciate the opportunity to meet with you today. And as Commissioner Geesman indicated, this is a follow up to a discussion that we had a couple of weeks ago.

The analysis that I'm going to present to you was the product of some work that was performed using a commercially available set of software tools. These are tools that our company provides. CEC is a subscriber to these.

And they're really applicable, the objective here is to look at the economics of ownership in these various technologies from the perspective of the parties that got to live with and invest in these things.

And I think, as Mark indicated, the study has yielded some pretty interesting results

that show the counter-influences that a policy, as opposed to what the regulatory climate currently is. And hopefully we've got some recommendations here that can help to improve that situation.

In the discussion I'll give you a very brief background on the nature of the study; talk some about the findings, especially focusing on what the major impacts are. And provide some recommendations. And, of course, be here and happy to answer any questions or any follow up that you might have.

The fundamental assumption at the start of the study was, in fact, that CHP is a good thing. And it's something that, as a result of the integrated energy policy, is something that the state desires to see implemented more broadly.

It's important that we focused on the impacts of CHP ownership and that study is not an analysis of the justification or basis of utility tariffs. Or the impact of those tariffs on ratepayers more broadly, but specifically focusing on if I've got to invest in, or I'm interested in one of these facilities, am I motivated to do that.

We looked at two primary applications.

These are commercial buildings. And based on tariffs as of last spring, late spring last year and January of this year, which we'll talk about some of the changes in that regulatory environment, and also we looked at dairy-based anaerobic digesters, which clearly have an environmental motivator as well as economic.

The study parts included interviews with the electric utilities and stakeholders throughout the industry; computer modeling using the tools that I just referenced; and then sensitivities to try and isolate and quantify the impacts of these various factors.

You know, starting, frankly, with the bad news, and that's that currently tariffs generally are disincentivizing to CHP investments. And I think what you'd find is that projects that were previously attractive under rates as recently as last summer, are not currently under current rate structures.

This is especially true in SDG&E and PG&E's service territory. More broadly in SCE service territory because of the very low offpeak rates, and offpeak rates, by the way, you know, represent probably 60 percent of the operating

hours of these facilities. Having very very low offpeak rates becomes a disincentive for facilities that are driven primarily by energy offsets as their motivator, especially if 60 percent of the time it's uneconomic to operate.

Similarly, the net metering biorates applicable for projects like agricultural waste projects at dairy farms often the net metering rates are lower than the marginal cost of operation of these facilities, which means that owners who are being rewarded by recovery for selling energy back to the utility oftentimes are being paid not only less than their own operating costs, but at the same time purchasing power under other meters on their system at a substantially higher rate.

And then finally we'll talk about departing load exemptions. This is perhaps less consequential than all the others, but still an important and easy, I think, item to fix. And that's that under the current approach projects under 1000 kW size are exempt from departing load charges. Projects over are mandated to pay those charges.

What this results in is a step change

that a project of 999 kW can receive the benefits of a project, yet a project of 1001 kW all of a sudden now must pay all these charges.

And I've seen cases in the industry, in fact I'm working on one right now, where it motivates the owner to a less than most efficient application in order just to try and get under that 1000 kW limit. And we'll propose some alternatives to that that might perhaps soften that impact.

Another factor that I think has had significant impact on CHP, especially moving as we've moved over the past several years, is there's been a substantive shift in the tariffs from energy to demand rates. So what we see is declining energy rates and increasing demand charges.

And since the energy charge is, in fact, the primary motivator for CHP applications, because it's the kilowatt hours sold or the kilowatt hours produced that produces the primary revenue or savings source for these projects, as rates shift from energy to demand you see a substantial reduction in the incentive for CHP applications.

This is especially also true, the fact, as we all know, that gas prices have been quite volatile over the last 12 months. Now, good news is they're tending to moderate some. We'll see what the hurricane season does this summer.

But as a result of that, as energy rates are declining the costs of fuel for CHP owners are going up. And so we're seeing an increasing disparity in what's often referred to in the industry as the spark spread, which is the difference between the cost of electricity and the cost of the fuel to generate that.

And in this case for a CHP owner that results in potential losses as a result of operating the facility.

Demand charges are another important part of the tariff, and these are very -- well, costs are shifting to this category, this is a component that's very very difficult for the CHP owner to monetize under the current environment.

And the reason is, for example, the 15-minute metering rate, one 15-minute outage in a given month can result in loss of all those demand savings for that particular facility for the entire month.

Similarly, second outages or third outages no longer matter oftentimes because once the damage is done on the first outage, there's no longer incentive for the facility to continue necessarily to avoid outages.

Noncoincident demand charges, which are charges that are not time-related, are even more damaging because that means the facility, even if it goes offline at midnight for planned outages, might result in, or would result in losses of those savings for the entire month.

And as a result the cumulative effect of these is that these strategies or regulatory policies ultimately discourage or prevent the owner from utilizing load following strategies, much like the utilities use to optimize their own operations where they might, for example, drop load at times when their thermal requirements might drop. And therefore one of the big benefits of a CHP facility might be less because they're penalized on the electric side. So there's conflicting signals and objectives there.

And then finally standby charges add to fixed costs for these facility owners. Adding to fixed costs when they're rewarded on a net

production basis because the energy component conflict with one another and discourage investment in these systems.

I guess complementing that I might also mention that it appears that some of the standby charge philosophies don't take account for the fact that there's redundancy when you have multiple CHP systems.

Now, recognizing that redundancy depends on what feeder it's located on, and what transmission requirements are, et cetera. Applying a single full capacity standby charge across all facilities means that everyone -- every facility is equally penalized, not accounting for the fact that multiple facilities provide some redundancy on the system.

And then finally, for dairy-based digester application, there are potential substantial environmental benefits here, both especially in the air emissions side, but also on the water and on the odor side.

The dairies that have the most potential attractive structures are probably located down in SDG&E's territory where we have the best tariffs, but unfortunately there's only one dairy in

SDG&E's territory. The other dairies are all located in the more northern parts of the state. And as we'll see in a minute the rates are quite unattractive for those facilities.

On the counter side, I think looking at a lot of these facilities, we've seen many have not been designed with the best achievable efficiency. A lot of the electric production is being net metered, and the waste heat isn't being used onsite. And so there's definitely some tactical improvements -- technical improvements that could be made in the implementation of these systems.

I'll show you a couple of brief charts here to emphasize this, what these charts are illustrating is the after-tax economics from the standpoint of expenses and savings for these facilities.

The bars on the lower section of the chart that are in blue and purple color tend to represent the variable costs. This is the cost of fuel or the savings that the owner would get in terms of energy payments.

The yellow bars up at the top represent the fixed costs and/or the fixed component which

would be associated with standby charges and demand charges.

And you can see here, looking at the relative magnitudes on these charts that, in fact, there's a discontinuity there. The variable expenses for operating the CHP facility compared to the relative savings. And, Rachel, I think we got the chart -- this chart is switched here, this is the old chart. I didn't realize that -- in this presentation. So our expenses and savings are reversed here. I apologize for the confusion.

The blue lines are representing the variable operating costs. And you can see the costs for fuel, variable operation and maintenance costs, departing load charges, are substantially greater than the corresponding energy rates that they're paid for.

Conversely, the fixed costs for operation of these facilities, which include, you know, investment and capital, debt service, et cetera, are substantially lower than the demand charges.

Now, what this means is that when the owner loses the demand savings from this facility as the result of an outage, they're now brought

down below a return that it's less than their costs of operation. For example, due to outages.

This chart shows a comparison of the demand energy and gas price conditions as a function of conditions last summer and early this winter. And the point here is what you'll see is that, in fact, demand charges have been increasing, energy charges have been decreasing at the same time gas prices are increasing. Which, for the owner of these facilities ultimately puts a stress on their economics.

And you can see here the increases in demand rates going -- and this is, in particular, a PG&E tariff, but it applies similarly in the other service territories. The demand rate's increasing, and at the same time energy rates going down, while gas prices are showing substantial increases.

Now this is going from January to -- from last summer to January of this year. And that's about when we hit a peak in gas prices. They've leveled off. So this has improved to some extent, but nonetheless we still see something like a 20 percent increase in gas prices and a corresponding decrease at the same time in the

energy component of the electric rates.

Offpeak, as we mentioned, is also a very important consideration here. And this isolates the offpeak component, which represents about 60 percent of the operating hours. And the red bars here showing the cost of electric production from natural gas from a typical CHP facility at gas rates as of last year, summer of this year -- summer of last year, winter and coming back down more towards where rates are today.

The key point here is that when these bars that represent the tariffs are higher than the dashed line, that means the owner is saving money. When they're below, that means the owner is losing money.

And you can see here, looking at, in this case, at the PG&E, SCE or SDG&E in offpeak tariffs, while last summertime there were some incentives even to operate during these situations, once we got to electric prices and gas prices in January the situation reversed. And even at the current situation there's minimal or no margin to operate these facilities offpeak. And yet the owner would be penalized if he took it down.

The ultimate result is I think that many find the decision why build if I've got to pay that difference.

Recommendations. First recommendation that we have is that it would be very very helpful if there could be some standardization of tariffs across the state, recognizing the three utilities each have different situations. Perhaps this might be limited to a specific CHP type of tariff. So there are consistent market pricing signal can be sent across the state to all parts of the industry. I think it would also simplify the decisionmaking processes, both in the financiers and the investors in these projects.

The second is that we believe would be very helpful is getting a better parallelism in energy rates with gas rates. Or the fuel cost component that go into electric generation. We might consider, for example, and this wouldn't necessarily be a simplification of rates, and this is where the conflict is between simplification and standardization, but considering that offpeak pricing might be dictated on the marginal energy displaced by the facility, as opposed to the average cost of energy, establishing energy cost

mechanisms that synchronize with gas prices, or at least synchronize with overall energy markets.

And finally, that net metering rates should reflect the full retail value of the energy as opposed to just the marginal cost of the generation component of the tariff. This provides a great disincentive; it's difficult for dairy farms or farms to always use the energy at the same location where they're generating it behind that same meter. So, net metering becomes a difficult way to reward them.

Modifying the methods for assessment of demand charges. One possibility here might be rather than penalizing facilities on a 15-minute, for a 15-minute outage would be to lengthen that period, allowing longer intervals for CHP facilities. Perhaps weekly or daily, for example. That would provide a more level method for assessing those outages.

And minimizing, perhaps the emphasis on noncoincident demand charges, which give no time-of-day incentives to the owners at all.

And then finally, relative to departing load charges, making those charges perhaps applicable to the first 1000 kW, or the exemption

from those charges to the first 1000 kW of production from the facility, as opposed to differentiating between a 999 kW and a 1001 kW facility by now eliminating the benefits.

And that way you'd still maintain the motivations for the smaller facilities, but not drive owners towards uneconomic or less-than-optimum facility design.

The SGIP program right now provides incentives only upfront. And a program that ultimately aligns with the objectives of the state to motivate production perhaps during certain periods, and then incentivizes operators during the operating phase, I think, would better align with the long-term objectives of the program.

Establishing criteria, this is probably a whole new area, but ultimately rather than just FERC efficiency, establishing criteria for CHP facilities that ultimately are deemed to provide net societal benefit. Some mechanism for measuring that.

In this way, perhaps special considerations could be provided for those facilities that provide benefits in areas that are transmission constrained. Or in areas where there

are substantive improvements in environmental or other externalities that might be a benefit system, could be reflected in rewards to those kinds of projects. To help guide the facilities to those that are most desirable.

Consider waiving standby charges. There has been some reference to that. When you look deep into the mechanisms of standby charge waivers now you find that there's an equally or maybe oftentimes more burdensome penalty imposed on the facility owner who gets his standby charges waived.

And again, consider programs that offer further externality benefits, CO2 reductions, transmission, et cetera.

And then finally, we very strongly recommend the Commission maintain an ongoing proactive approach to looking at tariffs rather than reactive. I think we've seen the current situation right now. We're always looking at the situation after the tariffs are passed and trying to figure out what to do about it.

And if a process could be put in place that we could be involved in that process, to help guide the analysis from the perspective of owners,

we think that would be helpful.

Appreciate your time and be happy to answer any questions.

CHAIRPERSON DESMOND: Commissioner Geesman.

COMMISSIONER GEESMAN: I'd just make the observation that as we set about attempting to achieve the Governor's greenhouse gas reduction goals for 2010 and 2020, I think we're going to have a reborn interest in the efficiency with which electricity is generated.

Everybody agrees efficiency is our top priority in the loading order. But we seem to have overlooked how that gets applied to the generating sector.

And I think that it's alarming, the degree of backsliding that we've allowed to creep into our utility rate tariffs over the last several years.

I really want to thank the PIER Staff for digging into this. And I think there's a lot more work to be done going forward.

CHAIRPERSON DESMOND: Steve, I'd like to thank you, as well. I remember when we spoke about this six, seven months ago, as the initial

results began to come in.

And like Commissioner Geesman, I'm very troubled by the disconnect between the tariff design and the state policy objectives. And clearly, even consistent with the biofuels and methane and all the other opportunities, we're not going to see any significant increase in CHP unless we're providing the appropriate incentives and disincentives and that those costs accurately reflect.

I didn't see in the recommendation, but was wondering if in your conversation with the utilities that they saw an opportunity to look at this from a business case perspective, where there was benefit to them treating these as a distributed asset as part of the utility grid. Has that come up in discussion at all?

MR. PROVOL: Well, certainly, you know, the utilities are working very hard to try and grapple with this themselves. And I know there's been others in front of you that have reflected the position that, you know, some of these policies, also the utilities feel like there could be, you know, damaging to them or the ratepayers, et cetera.

It wasn't part of the focus of our study to get into the utility dynamics, or their particular place in this. So, I don't really have a full answer to that. Except that, you know, during our discussions, interviews with them, they were careful to emphasize the kinds of issues you're raising.

CHAIRPERSON DESMOND: Thank you. Very informative. Commissioner Boyd.

COMMISSIONER BOYD: I'd just like to echo all that has been said. Thank you for this presentation. Many here know my long interest in this subject. Commissioner Geesman and I listened to lots of testimony about what the potentials were for CHP. My interest in the subject goes all the way back to the electricity crisis, long before I ended up here as a Commissioner.

We're just not capitalizing on the opportunities that present themselves. We heard a lot of testimony about there's a lot more energy, quote, steam or what-have-you, and other forms of motion energy out there available, that could be rolled into CHP, cogen types of operations that we're not even taking advantage of. Or it doesn't look to me like we're even scratching the surface

on.

So there's a lot of opportunity here. I think Commissioner Geesman is right in indicating that if we can't get this issue moving with the continuous discussions in the Integrated Energy Policy Report, maybe that combined with the Climate Action Team reports and requirements will finally get a little new motion.

And if the PUC is to live up to their commitments in the Climate Action Team, maybe we can motivate them to look at the tariff issue a little more in depth than I think to date we've succeeded in doing.

So I think this is very relevant, very timely, and I appreciate it.

MR. PROVOL: Thank you.

CHAIRPERSON DESMOND: Thank you. Unless there's any further comments I'd like to move on then to agenda item number 14, which is the Chief Counsel's report.

MR. CHAMBERLAIN: Thank you, Mr. Chairman. I'll simply note that last Wednesday ten of the 11 western governors petitioned the Federal Energy Regulatory Commission to create the regional advisory body for the western

interconnection.

This body is anticipated to coordinate state and provincial views on reliability issues. As you know, we're moving to a mandatory reliability standards program in the United States. And we need to be sure that that also carries over into the portions of Mexico and Canada that are affected here in the western interconnection.

And we hope to convince FERC that this is a valuable thing to them, as well.

And I would like to thank Mark Hester who participates on the operating committee for the Western Electricity Coordinating Council. Grace Anderson, who participates on the planning coordination committee. Mike Jaske, who participates now on the loads and resources subcommittee. And Dave Ashuckian, who participates on the market interface committee.

I'm hoping that we can attract similar participation by other western energy agencies and public utility commissions. I think we are starting to gather more interest as we move toward the mandatory regime.

CHAIRPERSON DESMOND: Thank you. Mr.

Blevins.

EXECUTIVE DIRECTOR BLEVINS: Thank you, Mr. Chairman. I wanted to briefly note that there have been some staffing changes at the Commission. Mike Smith has been selected as the Commission's Assistant Director for Governmental Affairs.

Also Lorraine White has been designated as the Co-Project Manager for both the 2007 Energy Report, and the AB-1007 report.

And then finally present in our midst is Harriet Kellemeyn, who is serving now as the Secretariat for the Commission.

I would note that all three of those individuals came from Commissioner Row. I would also note that each one of them came from a different office and since I serve at the pleasure of three of you, I hope one of you will forgive me.

(Laughter.)

CHAIRPERSON DESMOND: Thank you.

COMMISSIONER BOYD: I'll think about it.

CHAIRPERSON DESMOND: We certainly want to congratulate all those individuals for the fine work they've been doing, and have every confidence they'll be successful in their new roles.

Ms. Kim, Public Adviser's report?

MS. KIM: I have nothing.

CHAIRPERSON DESMOND: Nothing to add, okay. I had one, two last cards regarding public comment here. Cindy Smith from Superior Products. Didn't identify an agenda item, if she's still here?

And then, as I said earlier, there was a Peter Spillett from American Water. But, no. Okay.

With that we'll conclude this meeting and thank everyone for participating.

(Whereupon, at 11:50 a.m., the business meeting was adjourned.)

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CERTIFICATE OF REPORTER

I, PETER PETTY, an Electronic Reporter, do hereby certify that I am a disinterested person herein; that I recorded the foregoing California Energy Commission Business Meeting; that it was thereafter transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said meeting, nor in any way interested in outcome of said meeting.

IN WITNESS WHEREOF, I have hereunto set my hand this 5th day of May, 2006.